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Improving the financial situation of the United Nations

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Report of the Secretary-General

Addendum

I. Introduction

1. The present report updates the information on the financial situation of the United Nations contained in the report of the Secretary-General of 20 October 2000 (A/55/504). It also provides information on the financial situation of the Organization as at 31 December 2000 and projections for the year 2001.

II. Review of the financial situation at 31 December 2000

A. Overview

2. A solid financial base remains essential for the United Nations. It can be defined in terms of three components, namely, cash on hand, the levels of assessment and their payment, and the amount of debt owed to Member States. The trends in these three components measure the Organization's success in achieving financial stability and indicate the future financial direction of the Organization. In 2000, the three components of the Organization's financial position all failed to meet both the forecasts and the positive results of a year earlier. Specifically, cash was lower, unpaid assessments rose, and debt owed to Member States increased.

3. Aggregate cash at the end of the year amounted to $1 billion, almost $100 million lower than in 1999. Unpaid assessments totalled $2.2 billion, reflecting an increase of about $500 million over previous year's amount, and exceeding the levels of the last four years. Outstanding debt to Member States for troops and contingent-owned equipment also increased, totalling $917 million, and exceeding the levels of the last four years.

B. Aggregate cash

4. Aggregate cash balances at the end of 2000, including regular budget, peacekeeping, international tribunals and reserve amounts totalled $1,006,000,000, less than in 1999 but better than in earlier years. From 1994 to 1998, the cash position of the regular budget and related accounts (combined General Fund) was in deficit with year-end cash balances for peacekeeping and the international tribunals both positive. In order to compensate for the regular budget deficits, funds had to be borrowed from peacekeeping cash, leaving the available aggregate cash at considerably lower levels. This was the situation during 1995-1998, when total net cash balances amounted to only about $700 million.

5. On the other hand in 1999, and to a lesser degree 2000, year-end cash balances turned positive as a result

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of late, but large, payments made by the United States of America at the end of those years. As a result, in both years, regular budget deficits were avoided, unlike in the period 1995 through 1998. The need to cross-borrow at year-end from peacekeeping funds to compensate for the regular budget deficit was therefore eliminated.

C. Assessments

6. The second component of the Organization's financial picture is the service requirements placed upon the United Nations by its Member States, as reflected in the level of assessments approved. Against an original forecast of about $3.3 billion, the aggregate assessment level for year 2000, was about $3.4 billion.

7. The level of regular budget assessments, which has not grown over the last eight years, amounted to $1,089 million in year 2000. In fact, the current level of regular budget assessments is $100 million lower than it was eight years ago. Assessments for the international tribunals in 2000 were $166 million, slightly higher than those of the year before. Peacekeeping assessments totalled $2.1 billion in 2000, close to the high amounts for the peak peacekeeping years 1994 and 1995, but far higher than during the period 1996 through 1999.

8. The increase in peacekeeping assessments was due mainly to assessments for four large peacekeeping missions: United Nations Mission in Sierra Leone (UNAMSIL), United Nations Transitional Administration in East Timor (UNTAET), United Nations Interim Administration Mission in Kosovo (UNMIK) and United Nations Organization Mission in the Democratic Republic of the Congo (MONUC). All but MONUC had assessments of over $500 million and most are expected to exceed in 2001 the level of assessments in 2000.

Unpaid assessments — regular budget

9. Forty-six Member States had outstanding assessments for the regular budget at the end of 2000. Of those, three owed the Organization 91 per cent of the total: the United States owed $165 million, or 74 per cent; Brazil owed $22 million, or 10 per cent; and Argentina owed $12 million or 5 per cent . Forty-three other Member States had outstanding amounts totalling approximately $23 million or 11 per cent.

10. On a positive note, more Member States than ever had paid all their regular budget assessments in full for 2000 and all preceding years. In 1998, only 75 Member States had paid their regular budget assessments in full. Last year, the total number was 141. The Secretary-General would like to thank those Member States that have paid their regular budget assessments fully. The annex contains the names of those countries whose regular budget assessments have been paid in full for 2000 and all preceding years.

Unpaid assessments — the international tribunals

11. Assessments for the international tribunals have risen each year, reaching $166 million in 2000, and so have unpaid assessments. At the end of 1998, unpaid tribunal assessments totalled $20 million. At year-end 1999, that figure had risen to $32 million and in 2000 the amount outstanding rose to $47 million. As a result of these increasing arrears, 2000 was the first year in which it was necessary to cross-borrow from other funds to cover the requirements of the two tribunals.

12. At the end of 2000, 106 Member States had unpaid assessments for the international tribunals, with three of them, the United States, the Russian Federation and France, accounting for the largest amounts. Each of the three owed about $12 million, or roughly 25 per cent each, of the uncollected total. Brazil owed 11 per cent and Argentina 2 per cent, with the remaining Member States owing another 11 per cent. It should be noted, however, that France paid early in 2001 the full amount that had been unpaid at year-end 2000 and the United States also paid in full its prior year's contributions as well as a partial payment for 2001. No other payments have been received thus far in 2001 from the other three Member States with significant arrearages.

Unpaid assessments — peacekeeping

13. Rapidly mounting peacekeeping arrears are a cause for concern. The United States and Japan had markedly increased arrears at the end of the year. Fortunately, several other Member States, including principally the Russian Federation, have made significant efforts to pay down their long outstanding debt.

14. At 31 December 2000, peacekeeping arrears amounted to $1,989,000,000. The United States owed

58 per cent of the total outstanding arrears and Japan owed $303 million or 15 per cent of the total. Another four Member States owed in the range of 2 per cent to 10 per cent, for a total of 18 per cent, and 168 other Member States owed $182 million or 9 per cent. In a communication received on 21 March 2001, however, the Permanent Mission of Japan informed the Secretariat that peacekeeping payments totalling over $360 million had been made. This exceeds the amount outstanding from Japan at the end of 2000 and leaves currently outstanding peacekeeping assessments of approximately $130 million.

D. Debt to Member States — year 2000

15. Determining the amount of debt owed to Member States and projecting how much of that debt the Organization can prudently pay to Member States is a difficult exercise requiring complex estimates, subject to periodic changes in line with events. Nonetheless, the Secretary-General would like Member States to be fully informed on this matter and is committed to repaying them as soon as possible.

16. At the beginning of 2000, the level of debt to Member States totalled $800 million. Most of that amount was owed for contingent-owned equipment with a smaller amount owed for troops. At the end of 2000, debt to Member States amounted to $917 million, an increase of $117 million. During 2000, payments to Member States for 1999 obligations ($91 million) and 1999 arrearage obligations ($71 million) were completed. Actual obligations, however, increased in 2000 to $491 million, outstripping the earlier projection of $365 million. The downward revaluation of debt, some $47 million, partially cushioned the effect of the new obligations. Payments of $165 million were made to Member States. Unfortunately, no arrears collections were received during the course of 2000 and, as a result, no additional payments could be made of the amounts owed to Member States.

17. In addition, based on the current assessment of peacekeeping cash reserves, an additional year-end payment will be made shortly in the amount of $100 million against obligations for 2000. Of that amount, $66 million will be for troops and $34 million for contingent-owned equipment. As a result of these additional payments in 2000, the debt to Member States will be reduced by another $100 million, to $817 million.

18. Even with this additional payment, the Secretary-General has, for the first time in several years, not been able to fully pay out to Member States new obligations incurred during the current year. That is a severe disappointment, but it was a prudent decision based on the current and growing level of peacekeeping activity and the need for sufficient cash to cover the requirements for these ongoing missions.

III. Projections for 2001

A. Available cash: regular budget

19. Cash collections for the regular budget in the first two months of 2001 have been disappointing. Last year, 64 Member States had paid in full by the end of February. This year, only 54 Member States have paid their regular budget contributions in full in the comparable period.

20. By the end of February 2000, $381 million had been received from Member States. This year, cash payments of contributions totalled only $299 million, or $82 million less. There are several factors contributing to that decrease. First, a number payments from major contributors were not received until March 2001, instead of February, as was the case last year. Second, a transitional arrangement in 2001, agreed to by the Member States when they took the decision to lower from 25 to 22 per cent the ceiling rate on assessments in 2001-2003, had an effect on cash flow.

21. Member States, other than the United States, were asked to pay aggregate assessment amounts about $31 million less than their net assessments for 2001, owing to the application of a promised additional payment of that amount by the United States against those assessments. It is anticipated that the United States will make that additional payment, but it has not yet done so. A number of large regular budget payments have been received in March, including a full payment of $12 million from Belgium and $51 million from Italy. In addition, a number of large partial payments have also been made since January by Japan, the United Kingdom of Great Britain and Northern Ireland and Germany.

22. From 1995 through 1998, the Organization was faced with cash deficits from mid-year to year-end, as a result of the United States holding back until after 31 December the payment of some of its regular budget assessments. For 1999 and 2000, there is an improved level of early contributions from a large number of Member States, as well as no further withholding of assessed payments by the United States. An amount equivalent to substantially all of that Member State's current regular budget assessment was paid in the respective current years; the payments were late but in the right year.

23. The cash balance projected for 2001 assumes a continuation of positive trends, but not to the same extent. Receipts are expected to peak at the beginning of the year. As was the case in 2000, it is not anticipated that the two largest contributors, the United States and Japan, will pay the bulk of their regular budget contributions until later in 2001. As a result, periods of negative regular budget cash, and the need to cross-borrow from August onward are projected. The year is expected to end with a positive cash balance, but it will be lower, at about $45 million, a decrease from the $66 million total at the end of 2000.

B. Available cash: peacekeeping

24. Peacekeeping assessments for 2001 are projected to increase to $2.6 billion, from $2.1 billion in 2000. Assessments, for two of the five major missions, are expected to be higher than in the year before. UNAMSIL has the potential for the largest increase, possibly reaching the level of $800 million. UNTAET is expected to total $550 million. Assessments for UNMIK are expected to be $450 million and for the United Nations Mission in Ethiopia and Eritrea (UNMEE) $200 million, with the United Nations Mission in Bosnia and Herzegovina (UNMIBH) at around $144 million. It is not possible to provide a projection of MONUC requirements in 2001 at this time. However, it is likely that such requirements will be substantially higher than those for 2000, in which case the overall projection of some $2.6 billion could well rise to $3 billion.

25. Increased assessments do not automatically mean an increase in available cash. Mission cash balances may be unfavourably impacted by the slow collection of assessments on the one hand and, on the other, accelerating cash needs for payment of current mission costs, in particular payroll requirements and contractual liabilities, as well as payments for letters of assist. In the light of this, peacekeeping cash at the end of year 2001 is projected to be at a lower level than in the previous two years, at $873 million, down from the levels of 1999 and 2000.

C. Combined cash

26. With the expectation that both peacekeeping and regular budget cash balances will decrease, it is forecast that combined cash balances will decrease from the levels of 1999 and 2000 to some $942 million in 2001. The combined level is safe from a cash management viewpoint, but not a comfortable one operationally.

D. Debt to Member States

27. The year 2000 ended with debt to Member States aggregating $917 million. As was done in 2000, payments delayed from 2000 will be made to Member States during March 2001. These additional payments total $100 million for new troop obligations incurred in 2000 and contingent-owned equipment obligations. It is anticipated that new obligations for troops and contingent-owned equipment obligations, aggregating $504 million, will be incurred in 2001. This amount anticipates the expanded missions mentioned above.

28. As is the policy of the Secretary-General, it is intended to keep current this year as much as possible with new obligations, while remaining mindful of the need to liquidate a high portion of new obligations for troops and contingent-owned equipment in the year in which they are incurred. Thus, it is envisaged that $416 million will be paid to Member States partially to liquidate in 2001 the new obligations for that year. However, this payment will be $90 million less than the total of new obligations to be undertaken in 2001. The projected failure to pay out fully new troop and contingent-owned equipment obligations in the year in which they arise is again a source of disappointment. However, given the high level of payments made in 2001, and the high level of obligations to be undertaken in 2001, the Secretary-General intends to be both conservative and prudent in deciding on the amount to be paid out. Based on the elements of the above projection, unpaid debt to Member States for troops and contingent-owned equipment will aggregate

$904 million at year-end 2001, a slight change from the beginning to the end of the year.

29. The above projection does not, however, include the anticipated payment of arrears by the United States. As is the usual practice in dealing with projections, no data on prospective payments is included unless they follow a past payment pattern or information has been officially communicated to the Secretary-General as to a committed time frame for payment and a firm amount. Member States, however, are requested to provide the Secretariat with payment schedules, especially those permanent missions where significant amounts are involved and reasonable estimates can be made.

30. As a result of a response by the United States Mission to the Secretary-General on the status of United States arrears payment, additional information can be included in the United Nations projection. In this connection, the United States Mission informed the Secretary-General that progress was being made towards full implementation of the arrangements reached in December regarding the scale of assessments and the payment of United States arrears to the United Nations. The commitment of the United States to a prompt payment of $582 million is, of course, a major financial factor to be taken into consideration along with other elements of the projection, which have been cited above.

31. The Secretary-General is particularly anxious for all Member States to be aware of the actions to be taken once the arrearage cash is in hand. Once cash is received, and depending on the missions to which the payment will be applied, it is the intention of the Secretary-General to use a large portion of the arrears payment, some $400 million, to pay Member States immediately for troops and contingent-owned equipment in those missions where certifications have been completed. The remaining amount of the prospective arrearage payment, some $182 million, will be made as quickly as possible after the remaining certifications are completed. In any case, the Secretariat does not intend to divert any part of the arrearage collection from the United States for any other purpose. The arrears payment, when finally received, will be used to reduce substantially the current debt level to a new level, potentially around $322 million.

IV. Conclusion

32. A substantially reduced level of debt to Member States would be a major financial event for both Member States and the Organization. For the Member States, the situation, which has gone on far too long, in which one group of Member States is financing the obligations of other Member States will be ameliorated. For the Organization, major amounts of debt owed to Member States and major amounts of assessments long overdue will both disappear from the Organization's balance sheet, creating a significantly improved financial situation.

Annex

List of countries paid in full — regular budget 2000

Afghanistan
Albania
Algeria
Andorra
Angola
Armenia
Australia
Austria
Azerbaijan
Bahamas
Bahrain
Bangladesh
Barbados
Belarus
Belgium
Belize
Bhutan
Bolivia
Bosnia and Herzegovina
Botswana
Brunei Darussalam
Cambodia
Canada
Cape Verde
Chad
China
Colombia
Congo
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Democratic People's Republic of Korea
Denmark
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Equatorial Guinea
Eritrea
Estonia
Ethiopia
Fiji
Finland
France
Gabon
Gambia
Germany
Ghana
Greece
Grenada
Guatemala
Guinea
Haiti
Honduras
Hungary
Iceland
India
Indonesia
Ireland
Italy
Japan
Jordan
Kazakhstan
Kuwait
Kyrgyzstan
Lao People's Democratic Republic
Latvia
Lebanon
Lesotho
Libyan Arab Jamahiriya
Liechtenstein
Lithuania
Luxembourg
Madagascar
Malawi
Malaysia
Maldives
Mali
Malta
Marshall Islands
Mauritania
Mauritius
Mexico
Micronesia (Federated States of)
Monaco
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Netherlands
New Zealand
Nicaragua
Nigeria
Norway
Oman
Palau
Panama
Papua New Guinea
Philippines
Poland
Portugal
Qatar
Republic of Korea
Romania
Russian Federation
Rwanda
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Samoa
San Marino
Saudi Arabia
Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
Sudan
Swaziland
Sweden
Thailand
The former Yugoslav Republic of Macedonia
Togo
Trinidad and Tobago
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
Uzbekistan
Vanuatu
Viet Nam
Yemen
Zimbabwe